

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

YEAR ENDED FEBRUARY 29, 2008

Auditing Procedures Report V1.04

Reset Form

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Issued under Public Act 2 of 1968, as amended .

Unit Name	VILLAGE OF NEW LOTHROP	County	SHIAWASSEE	Type	VILLAGE	MuniCode	78-3-040
Opinion Date-Use Calendar	Jul 29, 2008	Audit Submitted-Use Calendar	Aug 14, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/>	18. Are there reported deficiencies?
<input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 118,866.00
General Fund Expenditure:	\$ 157,129.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 134,707.00
Governmental Activities Long-Term Debt (see instructions):	

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	LORI	Last Name	CHANT	Ten Digit License Number	1101020651				
CPA Street Address	217 N WASHINGTON ST	City	OWOSSO	State	MI	Zip Code	48867	Telephone	+1 (989) 723-8227
CPA Firm Name	DEMIS & WENZLICK, P.C.	Unit's Street Address	7507 ORCHARD ST	City	NEW LOTHROP	LU Zip	48460		

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis	3 - 5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Government-Wide Statement of Net Assets	6 - 7
Government-Wide Statement of Activities	8 - 9
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	10
Reconciliation of Balance Sheet of Governmental Funds to Statement of Net Assets	11
Statement of Revenues, Expenditures and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Business Type Funds:	
Statement of Net Assets	14 - 15
Statement of Revenues, Expenses and Changes in Net Assets	16
Statement of Cash Flow	17 - 18
Statement of Changes in Net Assets	19
Balance Sheet – Component Unit	20
Reconciliation of Balance Sheet of Component Unit to the Statements of Net Assets	21
Statement of Revenues, Expenditures and Changes in Fund Balance	22

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

TABLE OF CONTENTS

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Component Units to the Statement of Activities	23
Notes to Financial Statements	24 - 36
Required Supplemental Information:	
Budgetary Comparison Schedule	
General Fund	37 - 38
Major Street Fund	39
Local Street Fund	40
Water Fund	41
Sewer Fund	42
Component Unit	43
OTHER SUPPLEMENTAL INFORMATION	
Report on Internal Control over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	44 - 45
Report on Recommendations	46 - 47



DEMIS and WENZLICK, P.C.

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Barbara Wenzlick
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INDEPENDENT AUDITOR'S REPORT

July 29, 2008

Members of the Village Council
Village of New Lothrop
Shiawassee County, Michigan

We have audited the accompanying financial statements of the governmental activities, business type activities and major funds of Village of New Lothrop, Shiawassee County, Michigan as of and for the year ended February 29, 2008, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Village of New Lothrop's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities and each major fund of the Village of New Lothrop, Shiawassee County, Michigan as of February 29, 2008, and the respective changes in financial position and cash flows where applicable, of these activities and funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated July 29, 2008 on our consideration of the Village of New Lothrop's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Village's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Domin and Wenzlich, P.C.

Certified Public Accountants

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2008

The Management's Discussion and analysis report of the Village of New Lothrop covers the Village's financial performance during the year ended February 29, 2008.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at February 29, 2008, totaled \$496,260 for governmental activities, \$1,106,813 for business-type activities and \$212,982 for component unit activities. Overall total capital assets remained approximately the same, except for the reconstruction of Saginaw Street and Butternut Street intersection for \$54,866. Also the sewer line was extended to the Car Wash for \$10,058.

Overall revenues were \$565,855 (\$170,935 from governmental activities, \$229,465 from business-type activities and \$165,455 from component unit activities). Governmental activities had a \$91,401 increase in net assets. Business-type activities had a \$17,715 decrease in net assets. Component unit activities had a \$12,091 increase in net assets.

Taxable value increased by approximately \$622,754.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Village and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental, business-type and component unit activities.

The remaining statements are fund financial statements, which focus on individual parts of the Village in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2008

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Village as a whole using accounting methods used by private companies. The statement of net assets includes all of the Village's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity, you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Village are reported as governmental activities, business-type activities and component unit activities. These include the General Fund, the Major Street Fund, the Local Street Fund, the Water Fund, the Sewer Fund and New Lothrop Development Authority.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Village's funds, focusing on significant (major) funds not the Village as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Village Council also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Village has the following types of funds:

Governmental Funds: Some of the Village's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Village's governmental funds include the General Fund, the Major Street Fund and the Local Street Fund.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED FEBRUARY 29, 2008

Business Type Funds: The Village has a Water Fund and a Sewer Fund which includes the activity of providing water and sewer to Village residents.

Discretely Presented Component Unit: The Village has a Development Authority. The Authority function is to provide public improvements within the Village. This fund is presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Village's entity-wide statement and the fund statement are disclosed in reconciling statements to explain the differences between them.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Our cash position in both the governmental and business-type activities remains strong.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

The General Fund had a decrease in fund balance of \$27,134. The Major Street Fund had an increase in fund balance of \$2,636. The Local Street Fund had a decrease in fund balance of \$1,413.

The Water Fund had a decrease in net assets of \$20,322. The Sewer Fund had an increase in net assets of \$2,607.

The New Lothrop Development Authority had an increase in fund balance of \$28,252.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Village's governmental activities invested \$74,651 in capital assets.

The Village's business-type activities invested \$11,951 in capital assets.

The Village's component unit activities invested \$ -0- in capital assets.

The Village's governmental activities paid \$-0- of principal on long-term debt.

The Village's business-type activities paid \$ -0- of principal of long-term debt.

The Village's component unit activities paid \$47,337 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents significant portion of our income.

CONTACTING THE VILLAGE'S MANAGEMENT

This financial report is intended to provide our taxpayers, creditors, investors, and customers with a general overview of the Village's finances and to demonstrate the Village's accountability for the revenues it receives. If you have any questions concerning this report, please contact the Village Clerk or Village Treasurer at (810) 638-5600.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	Primary Government			Component
	Governmental	Business-Type	Total	Unit
	Activities	Activities		
ASSETS:				
CURRENT ASSETS:				
Cash & Cash Equivalents	\$ 259,920	\$ 492,928	\$ 752,848	\$127,057
Due from Primary Government	0	0	0	94,480
Due from Other Gov't Units	17,180	0	17,180	0
Receivables	1,648	34,589	36,237	70,351
Prepaid Expenses	12,676	5,287	17,963	0
TOTAL CURRENT ASSETS	<u>\$ 291,424</u>	<u>\$ 532,804</u>	<u>\$ 824,228</u>	<u>\$291,888</u>
RESTRICTED ASSETS:				
Cash & Cash Equivalents	<u>\$ 6,000</u>	<u>\$ 19,000</u>	<u>\$ 25,000</u>	<u>\$ 0</u>
TOTAL RESTRICTED ASSETS	<u>\$ 6,000</u>	<u>\$ 19,000</u>	<u>\$ 25,000</u>	<u>\$ 0</u>
NONCURRENT ASSETS:				
CAPITAL ASSETS:				
Land	\$ 23,330	\$ 24,966	\$ 48,296	\$ 0
Other Capital Assets,				
Net of Accumulated Depreciation	<u>273,947</u>	<u>562,934</u>	<u>836,881</u>	<u>5,065</u>
TOTAL NONCURRENT ASSETS	<u>\$ 297,277</u>	<u>\$ 587,900</u>	<u>\$ 885,177</u>	<u>\$ 5,065</u>
TOTAL ASSETS	<u>\$ 594,701</u>	<u>\$1,139,704</u>	<u>\$1,734,405</u>	<u>\$296,953</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
LIABILITIES & NET ASSETS:				
LIABILITIES:				
CURRENT LIABILITIES				
Due to Component Unit	\$ 94,480	\$ 0	\$ 94,480	\$ 0
Accounts Payable	3,527	32,988	36,515	0
Accrued Wages	266	0	266	0
Payroll Taxes Payable	168	(97)	71	0
TOTAL CURRENT LIABILITIES	<u>\$ 98,441</u>	<u>\$ 32,891</u>	<u>\$ 131,332</u>	<u>\$ 0</u>
NONCURRENT LIABILITIES:				
SIB Loan	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,971</u>
TOTAL NONCURRENT LIABILITIES	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 83,971</u>
TOTAL LIABILITIES	<u>\$ 98,441</u>	<u>\$ 32,891</u>	<u>\$ 131,332</u>	<u>\$ 83,971</u>
NET ASSETS:				
Invested in Capital Assets, Net of Related Debt	\$297,277	\$ 587,900	\$ 885,177	\$ (78,906)
Restricted for Improvements & Maintenance	6,000	20,596	26,596	0
Unrestricted	<u>192,983</u>	<u>498,317</u>	<u>691,300</u>	<u>291,888</u>
TOTAL NET ASSETS	<u>\$496,260</u>	<u>\$1,106,813</u>	<u>\$1,603,073</u>	<u>\$ 212,982</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$594,701</u>	<u>\$1,139,704</u>	<u>\$1,734,405</u>	<u>\$ 296,953</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

		<u>Program Revenues</u>		
		Charges	Operations	Net
	<u>Expenses</u>	<u>For Services</u>	<u>Grants & Contributions</u>	<u>(Expense) Revenue</u>
FUNCTIONS/PROGRAMS				
GOVERNMENTAL ACTIVITIES:				
Administration	\$ 89,980	\$ 1,601	\$ 0	\$ (88,379)
Law Enforcement	57,316	1,439	2,400	(53,477)
Streets	<u>58,207</u>	<u>0</u>	<u>0</u>	<u>(58,207)</u>
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$205,503</u>	<u>\$ 3,040</u>	<u>\$ 2,400</u>	<u>\$ (200,063)</u>
BUSINESS-TYPE ACTIVITIES:				
Water & Sewer	<u>\$246,080</u>	<u>\$205,224</u>	<u>\$ 0</u>	<u>\$ (40,856)</u>
TOTAL BUSINESS-TYPE ACTIVITIES	<u>\$246,080</u>	<u>\$205,224</u>	<u>\$ 0</u>	<u>\$ (40,856)</u>
TOTAL PRIMARY GOV'T	<u>\$451,583</u>	<u>\$208,264</u>	<u>\$ 2,400</u>	<u>\$ (240,919)</u>
COMPONENT UNITS:				
New Lothrop Development Authority	<u>\$(25,455)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (25,455)</u>
TOTAL COMPONENT UNITS	<u>\$(25,455)</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (25,455)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
CHANGE IN NET ASSETS:				
NET (EXPENSES) REVENUE	<u>\$ (200,063)</u>	<u>\$ (40,856)</u>	<u>\$ (240,919)</u>	<u>\$ (25,455)</u>
GENERAL REVENUES:				
Property Taxes	\$ 50,459	\$ 0	\$ 50,459	\$ 164,938
State Revenue Sharing	104,552	0	104,552	0
Franchise Fees	2,472	0	2,472	0
Reimbursement of Wages	0	3,558	3,558	0
Other Income	277	0	277	0
Interest	7,735	17,643	25,378	517
Transfers	<u>125,969</u>	<u>1,940</u>	<u>127,909</u>	<u>(127,909)</u>
TOTAL GENERAL REVENUES AND TRANSFERS	<u>\$ 291,464</u>	<u>\$ 23,141</u>	<u>\$ 314,605</u>	<u>\$ 37,546</u>
CHANGE IN NET ASSETS	\$ 91,401	\$ (17,715)	\$ 73,686	\$ 12,091
Net Assets, Beginning of Year	<u>404,859</u>	<u>1,124,528</u>	<u>1,529,387</u>	<u>200,891</u>
NET ASSETS, END OF YEAR	<u>\$ 496,260</u>	<u>\$1,106,813</u>	<u>\$1,603,073</u>	<u>\$ 212,982</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
FEBRUARY 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
ASSETS:				
CURRENT ASSETS:				
Cash & Cash Equiv.	\$ 197,489	\$ 37,592	\$24,839	\$259,920
Due from Other Gov't Units	17,180	0	0	17,180
Interest Receivable	0	42	0	42
Prepaid Expenses	10,463	1,549	664	12,676
Property Taxes Rec.	<u>1,606</u>	<u>0</u>	<u>0</u>	<u>1,606</u>
TOTAL CURRENT ASSETS	\$ 226,738	\$ 39,183	\$25,503	\$291,424
RESTRICTED ASSETS:				
Cash & Cash Equiv.	<u>\$ 6,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,000</u>
TOTAL RESTRICTED ASSETS	<u>\$ 6,000</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,000</u>
TOTAL ASSETS	<u>\$ 232,738</u>	<u>\$ 39,183</u>	<u>\$25,503</u>	<u>\$297,424</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accrued Wages	\$ 266	\$ 0	\$ 0	\$ 266
Accounts Payable	2,922	433	172	3,527
Due to Component Unit	94,480	0	0	94,480
Payroll Taxes Payable	<u>363</u>	<u>(137)</u>	<u>(58)</u>	<u>168</u>
TOTAL LIABILITIES	<u>\$ 98,031</u>	<u>\$ 296</u>	<u>\$ 114</u>	<u>\$ 98,441</u>
FUND BALANCES:				
Restricted	\$ 6,000	\$ 0	\$ 0	\$ 6,000
Unreserved	<u>128,707</u>	<u>38,887</u>	<u>25,389</u>	<u>192,983</u>
TOTAL FUND BALANCES	<u>\$ 134,707</u>	<u>\$ 38,887</u>	<u>\$25,389</u>	<u>\$198,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 232,738</u>	<u>\$ 39,183</u>	<u>\$25,503</u>	<u>\$297,424</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	\$ 198,983
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Total Net Assets Reported for Governmental Activities in the
Statement of Net Assets are Different Because –

Capital Assets used in Governmental Activities are not
Financial Resources and therefore are not reported in
the Governmental Funds Balance Sheet:

Capital Assets at Cost	492,910
Accumulated Depreciation	<u>(195,633)</u>

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 496,260</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
REVENUES:				
Property Taxes	\$ 50,459	\$ 0	\$ 0	\$ 50,459
State Revenue Sharing	54,368	37,406	12,778	104,552
Charges for Services:				
Zoning	1,601	0	0	1,601
Fines & Forfeits:				
Police Fines	1,439	0	0	1,439
Franchise Fees	2,472	0	0	2,472
Interest	5,850	1,116	769	7,735
Other Income	<u>2,677</u>	<u>0</u>	<u>0</u>	<u>2,677</u>
TOTAL REVENUES	<u>\$ 118,866</u>	<u>\$ 38,522</u>	<u>\$ 13,547</u>	<u>\$170,935</u>
EXPENDITURES:				
Administration	\$ 105,049	\$ 0	\$ 0	\$105,049
Law Enforcement	52,080	0	0	52,080
Streets	<u>0</u>	<u>64,386</u>	<u>41,460</u>	<u>105,846</u>
TOTAL EXPENDITURES	<u>\$ 157,129</u>	<u>\$ 64,386</u>	<u>\$ 41,460</u>	<u>\$262,975</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (38,263)</u>	<u>\$ (25,864)</u>	<u>\$ (27,913)</u>	<u>\$ (92,040)</u>
OTHER SOURCES OF FUNDS:				
Transfer in from Component Unit	<u>\$ 11,129</u>	<u>\$ 28,500</u>	<u>\$ 26,500</u>	<u>\$ 66,129</u>
TOTAL OTHER SOURCES OF FUNDS	<u>\$ 11,129</u>	<u>\$ 28,500</u>	<u>\$ 26,500</u>	<u>\$ 66,129</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	<u>\$ (27,134)</u>	<u>\$ 2,636</u>	<u>\$ (1,413)</u>	<u>\$ (25,911)</u>
Fund Balance 3-1-07	<u>161,841</u>	<u>36,251</u>	<u>26,802</u>	<u>224,894</u>
FUND BALANCE AT 2-29-08	<u>\$ 134,707</u>	<u>\$ 38,887</u>	<u>\$ 25,389</u>	<u>\$198,983</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

Net Changes in Fund Balances – Total Government Funds	\$(25,911)
Total Change in Net Assets Reported for Governmental Activities in the Statement of Activities is different because :	
Governmental Funds Report Capital Outlays as expenditures: However, in the Statement of Activities, these costs are allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation Expense	(17,179)
Capital Assets transferred from the Component Unit	59,840
Capital Outlay	<u>74,651</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 91,401</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
FEBRUARY 29, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS:			
CURRENT ASSETS:			
Cash & Cash Equivalents	\$ 190,823	\$302,105	\$ 492,928
Customer Receivables	22,732	11,644	34,376
Interest Receivable	206	7	213
Prepaid Expenses	<u>2,985</u>	<u>2,302</u>	<u>5,287</u>
TOTAL CURRENT ASSETS	<u>\$ 216,746</u>	<u>\$316,058</u>	<u>\$ 532,804</u>
RESTRICTED ASSETS:			
Cash & Cash Equivalents	<u>\$ 19,000</u>	<u>\$ 0</u>	<u>\$ 19,000</u>
TOTAL RESTRICTED ASSETS	<u>\$ 19,000</u>	<u>\$ 0</u>	<u>\$ 19,000</u>
NON-CURRENT ASSETS:			
Capital Assets:			
Land	\$ 5,466	\$ 19,500	\$ 24,966
Other Capital Assets	353,541	758,678	1,112,219
Less: Accumulated Depreciation	<u>(171,962)</u>	<u>(377,323)</u>	<u>(549,285)</u>
TOTAL NON-CURRENT ASSETS	<u>\$ 187,045</u>	<u>\$400,855</u>	<u>\$ 587,900</u>
TOTAL ASSETS	<u>\$ 422,791</u>	<u>\$716,913</u>	<u>\$ 1,139,704</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
FEBRUARY 29, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
LIABILITIES & NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	\$ 32,596	\$ 392	\$ 32,988
Payroll Taxes Payable	(131)	34	(97)
TOTAL CURRENT LIABILITIES	<u>\$ 32,465</u>	<u>\$ 426</u>	<u>\$ 32,891</u>
NET ASSETS:			
Retained Earnings:			
Invested in Capital Assets, Net of Related Debt	\$ 187,045	\$400,855	\$ 587,900
Restricted	20,596	0	20,596
Unrestricted	<u>182,685</u>	<u>315,632</u>	<u>498,317</u>
TOTAL NET ASSETS	<u>\$ 390,326</u>	<u>\$716,487</u>	<u>\$1,106,813</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 422,791</u>	<u>\$716,913</u>	<u>\$1,139,704</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
OPERATING REVENUES:			
Water Sales	\$ 155,807	\$ 0	\$ 155,807
Water Meter Replacement	1,596	0	1,596
Sewer Disposal Services	0	40,638	40,638
Hydrant Tax	5,046	0	5,046
Installation & Inspection Fees	2,137	0	2,137
TOTAL OPERATING REV.	<u>\$ 164,586</u>	<u>\$ 40,638</u>	<u>\$ 205,224</u>
OPERATING EXPENSES:			
Administration	\$ 22,594	\$ 16,265	\$ 38,859
Operation & Maintenance	142,486	4,950	147,436
Wages	24,105	15,510	39,615
Payroll Taxes	1,890	1,232	3,122
Utilities	0	1,122	1,122
Depreciation	6,705	9,221	15,926
TOTAL OPERATING EXPENSES	<u>\$ 197,780</u>	<u>\$ 48,300</u>	<u>\$ 246,080</u>
OPERATING INCOME (LOSS)	<u>\$ (33,194)</u>	<u>\$ (7,662)</u>	<u>\$ (40,856)</u>
NON-OPERATING REVENUES:			
Reimbursement of Wages	\$ 3,558	\$ 0	\$ 3,558
Transfer in from Component Unit	1,940	0	1,940
Interest Revenue and Penalties	7,374	10,269	17,643
TOTAL NON-OPERATING REVENUES	<u>\$ 12,872</u>	<u>\$ 10,269</u>	<u>\$ 23,141</u>
CHANGE IN NET ASSETS	<u>\$ (20,322)</u>	<u>\$ 2,607</u>	<u>\$ (17,715)</u>
Net Assets, Beginning of Year	<u>410,648</u>	<u>713,880</u>	<u>1,124,528</u>
NET ASSETS, END OF YEAR	<u>\$ 390,326</u>	<u>\$ 716,487</u>	<u>\$1,106,813</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDING FEBRUARY 29, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 178,006	\$ 40,267	\$ 218,273
Cash Payments to Suppliers for Goods & Services	(176,933)	(22,842)	(199,775)
Cash Payments to Employees for Services	<u>(24,105)</u>	<u>(16,110)</u>	<u>(40,215)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ <u>(23,032)</u>	\$ <u>1,315</u>	\$ <u>(21,717)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Reimbursement of Wages	\$ 3,558	\$ 0	\$ 3,558
Transfers in from Component Unit	<u>1,940</u>	<u>0</u>	<u>1,940</u>
NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCIAL ACTIVITIES	\$ <u>5,498</u>	\$ <u>0</u>	\$ <u>5,498</u>
CASH FLOWS FROM CAPITAL ACTIVITIES:			
Acquisition & Construction of Capital Assets	\$ <u>0</u>	\$ <u>(11,950)</u>	\$ <u>(11,950)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest Income	\$ <u>7,871</u>	\$ <u>10,270</u>	\$ <u>18,141</u>
NET INCREASE (DECREASE) IN CASH	\$ (9,663)	\$ (365)	\$ (10,028)
Balances - Beginning of Year	<u>219,486</u>	<u>302,470</u>	<u>521,956</u>
BALANCES - END OF YEAR	\$ <u>209,823</u>	\$ <u>302,105</u>	\$ <u>511,928</u>
Cash, including Time Deposits	\$ 190,823	\$ 302,105	\$ 492,928
Restricted Cash, including Time Deposits	<u>19,000</u>	<u>0</u>	<u>19,000</u>
Total Cash and Cash Equivalents, End of Year	\$ <u>209,823</u>	\$ <u>302,105</u>	\$ <u>511,928</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Income (Loss) from Operations	\$ (33,194)	\$ (7,662)	\$ (40,856)
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided (Used) by Operating Activities:			
Depreciation	6,705	9,221	15,926
(Increase) Decrease in Receivables	13,420	(371)	13,049
(Increase) Decrease in Prepaids	(77)	158	81
Increase (Decrease) in Payables	(9,886)	(31)	(9,917)
NET CASH PROVIDED (USED) IN OPERATING ACTIVITIES	<u>\$ (23,032)</u>	<u>\$ 1,315</u>	<u>\$ (21,717)</u>
RECONCILIATION OF INCOME (LOSS) FROM INVESTING TO NET CASH PROVIDED BY INVESTING ACTIVITIES			
Income (Loss) from Investing Activities	\$ 7,374	\$ 10,269	\$ 17,643
Adjustments to Reconcile Income (Loss) from Investing to Net Cash Provided by Investing Activities			
(Increase) Decrease in Interest Receivables	<u>497</u>	<u>1</u>	<u>498</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ 7,871</u>	<u>\$ 10,270</u>	<u>\$ 18,141</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2008

	<u>Tax Account</u>
RECEIPTS:	
Property Tax Collections	\$ 150,094
TOTAL RECEIPTS	<u>\$ 150,094</u>
DISBURSEMENTS:	
General Fund	\$ 50,459
Water System	5,046
New Lothrop Development Authority	<u>94,589</u>
TOTAL DISBURSEMENTS	<u>\$ 150,094</u>
EXCESS RECEIPTS OVER DISBURSEMENTS	\$ 0
Beginning Cash Balance	<u>0</u>
ENDING CASH BALANCE	<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BALANCE SHEET
COMPONENT UNIT
FEBRUARY 29, 2008

NEW LOTHROP
DEVELOPMENT
AUTHORITY

ASSETS:

Cash in Bank	\$127,057
Due from Primary Gov't	94,480
Receivables	<u>70,351</u>
TOTAL ASSETS	<u>\$291,888</u>

FUND BALANCE:

Unreserved	<u>\$291,888</u>
TOTAL FUND BALANCE	<u>\$291,888</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF BALANCE SHEET OF COMPONENT UNIT
TO THE STATEMENT OF NET ASSETS
FEBRUARY 29, 2008

TOTAL FUND BALANCE – COMPONENT UNIT	\$291,888
Total Net Assets Reported for Component Unit Activities in the Statement of Net Assets are different because:	
Capital Assets used in Component Unit Activities are not Financial Resources and therefore are not reported in the Component Units Balance Sheet:	
Capital Assets at Cost	13,254
Accumulated Depreciation	(8,189)
Long-Term Liabilities are not Due and Payable in the Current Period and are not Reported in the Component Units Balance Sheet	<u>(83,971)</u>
TOTAL NET ASSETS – COMPONENT UNIT ACTIVITIES	<u>\$212,982</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
COMPONENT UNIT
FOR THE YEAR ENDED FEBRUARY 29, 2008

NEW LOTHROP
DEVELOPMENT
AUTHORITY

REVENUES:

Property Taxes	\$ 164,938
Interest	<u>518</u>
TOTAL REVENUES	<u>\$ 165,456</u>

EXPENDITURES:

Downtown Beautification	\$ 1,990
Official Wages	167
Long-Term Debt Payment:	
Interest	4,435
Principal	47,337
Professional Fees	7,019
Supplies	216
Downtown Promotion	<u>7,971</u>
TOTAL EXPENDITURES	<u>\$ 69,135</u>

EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ 96,321</u>
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OTHER USES OF FUNDS:

Transfer to Primary Government	<u>\$ (68,069)</u>
TOTAL OTHER USES OF FUNDS	<u>\$ (68,069)</u>

EXCESS (DEFICIENCY) OF REVENUES
OVER EXPENDITURES AND
OTHER USES OF FUNDS

\$ 28,252

Fund Balance at March 1, 2007	<u>263,636</u>
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FUND BALANCE AT FEBRUARY 29, 2008	<u>\$ 291,888</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF COMPONENT UNITS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED FEBRUARY 29, 2008

Net Changes in Fund Balance – Component Unit	\$ 28,252
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Total Change in Net Assets reported for Component Unit Activities in the Statement of Activities is different because:

Component Unit funds report capital outlays as expenditures. However, in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation expense.

Capital Assets transferred to Primary Government	(59,840)
Depreciation Expense	(3,658)

Component Unit Funds report repayment of loan principal as an expenditure, but not in the Statement of Activities (where it reduces long-term debt)

SIB Loan Principal Repayment	<u>47,337</u>
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CHANGE IN NET ASSETS OF COMPONENT UNIT ACTIVITIES	<u>\$ 12,091</u>
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The accompanying notes are an integral part of the financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of New Lothrop, Shiawassee County, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of New Lothrop.

1. REPORTING ENTITY

The Village of New Lothrop is governed by an elected nine-member council (Board). The accompanying financial statements present the government and its component unit, entities for which the government is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

DISCRETELY PRESENTED COMPONENT UNIT

New Lothrop Development Authority is used for the planning of improvements in the downtown district. Board members are appointed by the Board. The Development Authority is fiscally dependent upon Village, because the Board approves its budget, levies taxes and must approve any debt issuance. The Development Authority is presented as a governmental type fund.

2. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements, (The Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items properly excluded from program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Those revenues susceptible to accrual are property taxes, special assessments, licenses, interest revenue, and charges for services. Sales taxes collected and held by the State at year end on behalf o the government also are recognized as revenue. Fines, permits, and parking meter revenues are not susceptible to accrual because generally they are not measurable until received in cash.

GOVERNMENTAL FUNDS

General Funds – This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

PROPRIETARY FUNDS

ENTERPRISE FUNDS

These funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that period determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer Enterprise Funds are charged to customers for services. The Enterprise Funds also recognize as operating revenues the tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the Enterprise Fund include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FIDUCIARY FUNDS

Trust Funds – These funds are used to account for assets held by the Village in a trustee capacity or as an agent for individuals, private organizations, other governments and/or funds.

4. ASSETS, LIABILITIES AND NET ASSETS OR EQUITY

CASH AND CASH EQUIVALENTS

Cash and cash equivalents investments include cash on hand, demand deposits and certificates of deposit with a maturity of three months or less when acquired. They are stated at fair value.

RECEIVABLES AND PAYABLES

Receivables have been recognized for all significant amounts due to the Village. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." Outstanding balances between the primary government and the discretely presented component units are reported as "due to/from primary government" and due to/from component unit."

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVENTORIES AND PREPAID ITEMS

Inventories of supplies are considered to be immaterial and are not recorded. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

RESTRICTED ASSETS

The Enterprise Funds require amounts to be set aside for improvements and water pump replacements. These amounts have been classified as restricted assets.

The General Fund requires \$3,000 a year be set aside to purchase a police vehicle. These amounts have been classified as restricted assets.

PROPERTY TAXES

Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned.

Properties are assessed as of December 31, and the related property taxes become a lien on July 1, of the following year. These taxes are due on September 15. The Village 2007 tax roll millage rate was 10.000 mills for general services and 1.000 mill for water services, and the taxable value was \$13,645,031.

ENCUMBRANCES

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

CAPITAL ASSETS

Capital assets, which include property, plant, equipment, infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial individual cost of more than \$100 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significant extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Building, Additions and Improvements	40 years
Furniture, Fixtures and Equipment	5 to 7 years
Infrastructure	5 to 20 years
Water and Sewer Lines	75 years

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPENSATED ABSENCES (VACATION AND SICK PAY)

The Village has only one full-time employee that is eligible for vacation time. Any vacation accrued at year end is considered immaterial and is not recorded as a liability.

POST-EMPLOYMENT BENEFITS

The Village provides no post-employment benefits to past employees.

LONG-TERM OBLIGATIONS

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statement of net assets.

FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

COMPARATIVE DATA

Comparative data is not included in the Village's financial statements.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE B – BUDGETS AND BUDGETARY ACCOUNTING

The following procedures are followed in establishing the budgetary data reflected in these financial statements.

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Village Council for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Village Council.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year by a majority vote of the Village Council. The Village Clerk is authorized to transfer budgeted amounts between classifications within any fund. These adjustments must be approved by the Village Council at the next meeting.
7. The adopted budgets are used as a management control device, during the year, for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year,
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Village Council during the fiscal year.
10. The Development Authority, a discretely presented component unit, follows the same procedures as the Village in establishing their budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year, the Village incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budgeted Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
General Fund		
General Administration		
Wages	\$ 0	\$ 1,758
Professional Fees	15,500	18,645
Zoning Inspection	0	4,500
Major Street Fund – Wages	13,000	16,046

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE C – DEPOSITS

Michigan Compiled Laws, Section 129.91, authorizes the Village to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United government or federal agency obligations repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State or Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Village Council has designated one bank for the deposit of Village funds. The investment policy adopted by the council in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Village's deposits and investment policy are in accordance with statutory authority.

The Government Accounting Standards Board Statement No. 3, risk disclosure for the cash deposits are as follows:

	<u>Carrying Amounts</u>	
	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Unit</u>
Total Deposits	<u>\$ 779,848</u>	<u>\$ 127,057</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>	
	<u>Primary</u> <u>Government</u>	<u>Component</u> <u>Unit</u>
Insured (FDIC)	\$ 200,000	\$ 100,000
Uninsured & Uncollateralized	<u>581,032</u>	<u>30,175</u>
TOTAL DEPOSITS	<u>\$ 781,032</u>	<u>\$ 130,175</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE D – COMMON BANK ACCOUNT

The Village has maintained a common bank account, during the year, to obtain higher interest earnings. The equity of each individual fund in this bank account are as follows:

General Fund – Restricted	\$ 6,000
General Fund – Unrestricted	177,445
Major Street Fund	18,528
Local Street Fund	24,839
Water Fund	140,165
Sewer Fund	<u>291,793</u>
TOTAL COMMON BANK ACCOUNT BALANCE FEBRUARY 29, 2008	<u>\$658,770</u>

NOTE E – INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund transfers is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	
Primary Government General Fund	Component Unit Development Authority	<u>\$ 11,129</u>
Primary Government Major Street	Component Unit Development Authority	<u>\$ 28,500</u>
Primary Government Local Street	Component Unit Development Authority	<u>\$ 26,500</u>
Primary Government Water Fund	Component Unit Development Authority	<u>\$ 1,940</u>

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
Component Unit Development Authority	Primary Government General Fund	\$94,480	Payment of TIF monies for 2007

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE F – CAPITAL ASSETS

Capital asset activity of the Village's Governmental and Proprietary activities for the current year was as follows:

	<u>Balance</u> <u>02-28-07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>02-29-08</u>
GOVERNMENTAL ACTIVITIES:				
Capital Assets not being Depreciated				
Land	\$ 23,330	\$ 0	\$ 0	\$ 23,330
Capital Assets being Depreciated:				
Buildings	\$ 80,968	\$ 79,625	\$ 0	\$160,593
Equipment	35,250	0	0	35,250
Furniture & Fixtures	6,448	0	0	6,448
Infrastructure	153,157	54,866	0	208,023
Law Enforcement Equip.	59,266	0	0	59,266
TOTAL	\$ 335,089	\$134,491	\$ 0	\$469,580
Accumulated Depreciation	<u>(178,454)</u>	<u>(17,179)</u>	<u>0</u>	<u>(195,633)</u>
Net Capital Assets being Depreciated	<u>\$ 156,635</u>	<u>\$117,312</u>	<u>\$ 0</u>	<u>\$273,947</u>
NET GOVERNMENTAL CAPITAL ASSETS	<u>\$ 179,965</u>	<u>\$117,312</u>	<u>\$ 0</u>	<u>\$297,277</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE F – CAPITAL ASSETS (CONTINUED)

	Balance <u>02-28-07</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>02-29-08</u>
BUSINESS-TYPE ACTIVITIES				
Capital Assets Not Being Depreciated				
Land	\$ 24,966	\$ 0	\$ 0	\$ 24,966
Capital Assets Being Depreciated				
Buildings	\$ 12,728	\$ 0	\$ 0	\$ 12,728
Equipment	18,386	1,892	0	20,278
Sewer System	743,564	10,058	0	753,622
Water System	<u>325,590</u>	<u>1</u>	<u>0</u>	<u>325,591</u>
TOTAL	\$1,100,268	\$ 11,951	\$ 0	\$1,112,219
Accumulated Depreciation	<u>(533,358)</u>	<u>(15,927)</u>	<u>0</u>	<u>(549,285)</u>
Net Capital Assets Being Depreciated	\$ 566,910	\$ (3,976)	\$ 0	\$ 562,934
NET BUSINESS-TYPE CAPITAL ASSETS	<u>\$ 591,876</u>	<u>\$ (3,976)</u>	<u>\$ 0</u>	<u>\$ 587,900</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE F – CAPITAL ASSETS (CONTINUED)

	<u>Balance 02-28-07</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 02-29-08</u>
COMPONENT UNIT				
Capital Assets not being Depreciated				
Land	\$ 40,005	\$ 0	\$(40,005)	\$ 0
Capital Assets being Depreciated				
Equipment	\$ 5,754	\$ 0	\$ 0	\$ 5,754
Furniture & Fixtures	7,500	0	0	7,500
Infrastructure	<u>26,469</u>	<u>0</u>	<u>(26,469)</u>	<u>0</u>
TOTAL	\$ 39,723	\$ 0	\$(26,469)	\$ 13,254
Accumulated Depreciation	<u>(11,165)</u>	<u>(3,658)</u>	<u>6,634</u>	<u>(8,189)</u>
Net Capital Assets being Depreciated	<u>\$ 28,558</u>	<u>\$ (3,658)</u>	<u>\$(19,835)</u>	<u>\$ 5,065</u>
NET COMPONENT UNIT				
CAPITAL ASSETS	<u>\$ 68,563</u>	<u>\$ (3,658)</u>	<u>\$(59,840)</u>	<u>\$ 5,065</u>

NOTE G – TAX INCREMENT FINANCE PLAN (TIFA)

The Development Authority has adopted a tax increment finance plan for the purpose of providing money to make public improvements within the municipality. The theory being that an investment in necessary public improvements with the municipality will result in greater tax revenues from that area than would occur if no special development were undertaken. Taxes generated from the increase in state equalized value over 1990's state equalized value are TIFA monies to be used for these improvements.

Projects are planned for development with the TIFA monies are: development of a public park and the purchase of a water filtration plant. Authorized expenditures associated with these projects include: development of zoning ordinances and land use plan, acquisition of "vest pocket" park, development of park, general downtown facade improvements, promotion of downtown area and recruitment of businesses to the area and purchase of water filtration plant.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
FEBRUARY 29, 2008

NOTE H – GENESEE STREET IMPROVEMENT PROJECT

The Genesee Street Project removed and repaired existing road surface, sidewalk, storm drainage, installed conduit, street lighting, curb and gutter. The total project cost \$406,936.

This project was paid for by a loan from the Michigan Department of Transportation State Infrastructure Bank. The interest rate for the loan will be four percent, with annual payments of \$51,772. The loan is secured by the Village's Act 51 Revenue Sharing.

A summary of changes in long-term debt follows:

	<u>Balance</u> <u>03-01-07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>02-29-08</u>
Genesee Street Payment	<u>\$131,308</u>	<u>\$ 0</u>	<u>\$ 47,337</u>	<u>\$83,971</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End February 28</u>	<u>Total</u>
2009	\$ 48,413
2010	<u>35,558</u>
	<u>\$ 83,971</u>

NOTE I – DEFERRED COMPENSATION PLAN

The Village does not have a deferred compensation plan.

NOTE J – PENSION PLAN

The Village does not have a pension plan.

NOTE K – RISK MANAGEMENT

The Village is exposed to various risks of loss related property loss, torts, errors, omissions and employee injuries (workers' compensation). The Village has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FEBRUARY 29, 2008

NOTE L – BUILDING PERMITS

As of February 29, 2008, the Village had building permit revenues of \$1,601 and building permit expenses of \$4,500.

NOTE M – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Village maintains two Enterprise Funds which provide sewer and water services. Segment information for the year ended February 29, 2008, is as follows:

	<u>Sewer Fund</u>	<u>Water Fund</u>
Operating Revenues	\$ 40,638	\$164,586
Depreciation Expense	9,221	6,705
Net Income (Loss)	2,607	(20,322)
Net Working Capital	716,487	390,326
Net Assets	716,913	422,791

NOTE N – SUBSEQUENT EVENT

The Village purchased a water filtration plant on March 20, 2008. Funding for the project is by issuing Revenue Bonds. The interest rate will be 4.25% paid semiannual. The total bond is \$1,278,000. Following is the repayment schedule:

2009	13,000
2010	13,000
2011	14,000
2012	14,000
2013	15,000
2014 – 2018	85,000
2019 – 2023	105,000
2024 – 2028	130,000
2029 – 2033	158,000
2034 – 2038	195,000
2039 – 2043	240,000
2044 – 2048	296,000
Total Payments	<u>\$1,278,000</u>

NOTE O – EXCHANGE OF LAND FOR BUILDING

The Village exchanged vacant real estate for real estate including a building with New Lothrop Area Public Schools. It was an equal exchange with no other considerations. The new building will be used for Village offices

REQUIRED
SUPPLEMENTARY
INFORMATION

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
REVENUES:				
Property Taxes	\$ 50,000	\$ 50,000	\$ 50,459	\$ 459
State Revenue Sharing	58,000	58,000	54,368	(3,632)
Charges for Services:				
Zoning	2,000	2,000	1,601	(399)
Fines & Forfeits:				
Police Fines	0	0	132	132
Franchise Fee	2,000	2,000	2,472	472
Interest	2,000	2,000	5,850	3,850
Liquor License Fees	1,319	1,319	1,307	(12)
Other Income	1,000	1,000	2,677	1,677
TOTAL REVENUES	<u>\$ 116,319</u>	<u>\$ 116,319</u>	<u>\$ 118,866</u>	<u>\$ 2,547</u>
EXPENDITURES:				
General Administration:				
Officials Wages	\$ 15,000	\$ 15,500	\$ 15,500	\$ 0
Wages	0	0	1,758	1,758
Office, Dues & Publications	6,300	5,500	5,489	(11)
Professional Services	15,000	15,500	18,645	3,145
Telephone	3,300	3,300	3,216	(84)
Utilities	17,000	19,900	19,892	(8)
Insurance	9,500	6,800	6,704	(96)
Repairs & Maintenance	5,900	6,700	6,602	(98)
Payroll Taxes	1,300	1,400	1,320	(80)
Capital Outlay	20,000	20,000	19,785	(215)
Zoning Inspection	0	0	4,500	4,500
Other Expenses	3,000	1,700	1,638	(62)
Law Enforcement:				
Officials Wages	600	600	600	0
Wages	26,500	26,500	24,222	(2,278)
Payroll Taxes	2,500	3,000	2,000	(1,000)
Office Supplies	1,300	1,300	1,279	(21)
Telephone	1,800	1,800	1,735	(65)
Gas & Oil	1,800	2,100	2,099	(1)
Insurance	13,600	10,500	10,441	(59)
Professional Services	2,000	6,300	6,185	(115)
Repairs & Maintenance	2,000	2,000	1,161	(839)
Training & Education	1,100	1,100	984	(116)
Supplies	3,500	1,000	661	(339)
Clothing	500	1,000	713	(287)
TOTAL EXPENDITURES	<u>\$ 153,500</u>	<u>\$ 153,500</u>	<u>\$ 157,129</u>	<u>\$ 3,629</u>

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Over (Under)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$(37,181)</u>	<u>\$(37,181)</u>	<u>\$ (38,263)</u>	<u>\$ (1,082)</u>
OTHER SOURCES OF FUNDS				
Transfer in from Component Unit	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,129</u>	<u>\$(11,129)</u>
TOTAL OTHER SOURCES OF FUNDS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,129</u>	<u>\$(11,129)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	<u>\$(37,181)</u>	<u>\$(37,181)</u>	<u>\$ (27,134)</u>	<u>\$ 10,047</u>
Fund Balance at March 1, 2007			<u>161,841</u>	
FUND BALANCE AT FEBRUARY 29, 2008			<u>\$ 134,707</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget Over (Under)</u>
REVENUES:				
State Revenue Sharing	\$ 37,000	\$ 37,000	\$ 37,406	\$ 406
Interest	400	400	1,116	716
TOTAL REVENUES	<u>\$ 37,400</u>	<u>\$ 37,400</u>	<u>\$ 38,522</u>	<u>\$ 1,122</u>
EXPENDITURES:				
Routine Maintenance:				
Wages	\$ 13,000	\$ 13,000	\$ 16,046	\$ 3,046
Payroll Taxes	1,000	1,300	1,260	(40)
Repairs & Maintenance	1,000	7,100	7,049	(51)
Capital Outlay	0	27,500	27,433	(67)
Insurance	6,000	7,000	6,982	(18)
Officials Wages	400	500	420	(80)
Professional Services	2,300	450	442	(8)
Sidewalks	3,000	2,050	2,049	(1)
Snow Removal	1,000	2,800	2,705	(95)
TOTAL EXPENDITURES	<u>\$ 27,700</u>	<u>\$ 61,700</u>	<u>\$ 64,386</u>	<u>\$ 2,686</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (9,700)</u>	<u>\$ (24,300)</u>	<u>\$ (25,864)</u>	<u>\$ (1,564)</u>
OTHER SOURCEES OF FUNDS:				
Transfer in from Component Unit	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 28,500</u>	<u>\$ 28,500</u>
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES OF FUNDS	<u>\$ 9,700</u>	<u>\$ (24,300)</u>	<u>\$ 2,636</u>	<u>\$ 26,936</u>
Fund Balance at March 1, 2007			<u>36,251</u>	
FUND BALANCE AT FEBRUARY 29, 2008			<u>\$ 38,887</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
REVENUES:				
State Revenue Sharing	\$ 12,000	\$ 12,000	\$ 12,778	\$ 778
Interest	200	200	769	569
TOTAL REVENUES	<u>\$ 12,200</u>	<u>\$ 12,200</u>	<u>\$ 13,547</u>	<u>\$ 1,347</u>
EXPENDITURES:				
Routine Maintenance:				
Wages	\$ 6,000	\$ 6,700	\$ 6,615	\$ (85)
Payroll Taxes	400	600	520	(80)
Repairs & Maintenance	3,400	3,000	1,276	(1,724)
Insurance	2,500	3,000	2,993	(7)
Capital Outlay	0	27,500	27,433	(67)
Officials Wages	600	600	180	(420)
Professional Services	2,000	500	418	(82)
Sidewalks	2,000	2,000	878	(1,122)
Snow Removal	1,500	1,500	1,147	(353)
TOTAL EXPENDITURES	<u>\$ 18,400</u>	<u>\$ 45,400</u>	<u>\$ 41,460</u>	<u>\$ (3,940)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>\$ (6,200)</u>	<u>\$ (33,320)</u>	<u>\$ (27,913)</u>	<u>\$ 5,287</u>
OTHER SOURCES OF FUNDS:				
Transfer in from Component Unit	\$ 0	\$ 0	\$ 26,500	\$ 26,500
TOTAL OTHER SOURCES OF FUNDS	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 26,500</u>	<u>\$ 26,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (6,200)</u>	<u>\$ (33,200)</u>	<u>\$ (1,413)</u>	<u>\$ 31,787</u>
Fund Balance at March 1, 2007			<u>26,802</u>	
FUND BALANCE AT FEBRUARY 29, 2008			<u>\$ 25,389</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
WATER FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
OPERATING REVENUES:				
Water Sales	\$ 150,000	\$ 150,000	\$ 155,807	\$ 5,807
Water Meter Replacement	0	0	1,596	1,596
Hydrant Tax	5,046	5,046	5,046	0
Installation & Inspection Fees	<u>1,000</u>	<u>1,000</u>	<u>2,137</u>	<u>1,137</u>
TOTAL OPERATING REVENUES	<u>\$ 156,046</u>	<u>\$ 156,046</u>	<u>\$ 164,586</u>	<u>\$ 8,540</u>
OPERATING EXPENSES:				
Administration	\$ 19,600	\$ 23,600	\$ 22,594	\$ (1,006)
Operation & Maintenance	149,508	145,913	142,486	(3,427)
Wages	23,805	24,200	24,105	(95)
Payroll Taxes	2,700	1,900	1,890	(10)
Depreciation	<u>7,000</u>	<u>7,000</u>	<u>6,705</u>	<u>(295)</u>
TOTAL OPERATING EXPENSES	<u>\$ 202,613</u>	<u>\$ 202,613</u>	<u>\$ 197,780</u>	<u>\$ (4,833)</u>
OPERATING LOSS	<u>\$ (46,567)</u>	<u>\$ (46,567)</u>	<u>\$ (33,194)</u>	<u>\$ 13,373</u>
NON-OPERATING REVENUES:				
Reimbursement of Wages	\$ 14,000	\$ 14,000	\$ 3,558	\$ (10,442)
Transfer in from Component Unit	0	0	1,940	1,940
Interest Revenue	<u>5,000</u>	<u>5,000</u>	<u>7,374</u>	<u>2,374</u>
TOTAL NON-OPERATING REVENUES	<u>\$ 19,000</u>	<u>\$ 19,000</u>	<u>\$ 12,872</u>	<u>\$ (6,128)</u>
NET INCOME (LOSS)	<u>\$ (27,567)</u>	<u>\$ (27,567)</u>	<u>\$ (20,322)</u>	<u>\$ 7,245</u>
Retained Earnings at March 1, 2007			<u>410,648</u>	
RETAINED EARNINGS AT FEBRUARY 29, 2008			<u>\$ 390,326</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
SEWER FUND
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u> <u>Over (Under)</u>
OPERATING REVENUES:				
Sewage Disposal Services	\$ 40,000	\$ 40,000	\$ 40,638	\$ (638)
Installation & Inspection Fees	<u>1,500</u>	<u>1,500</u>	<u>0</u>	<u>1,500</u>
TOTAL OPERATING REVENUES	<u>\$ 41,500</u>	<u>\$ 41,500</u>	<u>\$ 40,638</u>	<u>\$ 862</u>
OPERATING EXPENSES:				
Administration	\$ 11,800	\$ 16,600	\$ 16,265	\$ (335)
Operation & Maintenance	11,000	5,700	4,950	(750)
Wages	16,000	16,000	15,510	(490)
Payroll Taxes	1,500	1,500	1,232	(268)
Utilities	1,000	1,200	1,122	(78)
Depreciation	<u>9,000</u>	<u>9,300</u>	<u>9,221</u>	<u>(79)</u>
TOTAL OPERATING EXPENSES	<u>\$ 50,300</u>	<u>\$ 50,300</u>	<u>\$(48,300)</u>	<u>\$ (2,000)</u>
OPERATING INCOME (LOSS)	<u>\$ (8,800)</u>	<u>\$ (8,800)</u>	<u>\$ (7,662)</u>	<u>\$ 1,138</u>
NON-OPERATING INCOME (LOSS)				
Interest Revenue	\$ 1,500	\$ 1,500	\$ 10,269	\$ 8,769
TOTAL NON-OPERATING REVENUE	<u>\$ 1,500</u>	<u>\$ 1,500</u>	<u>\$ 10,269</u>	<u>\$ 8,769</u>
NET INCOME (LOSS)	<u>\$ (7,300)</u>	<u>\$ (7,300)</u>	<u>\$ 2,607</u>	<u>\$ 9,907</u>
Retained Earnings at March 1, 2007			<u>713,880</u>	
RETAINED EARNINGS AT FEBRUARY 29, 2008			<u>\$716,487</u>	

VILLAGE OF NEW LOTHROP
SHIAWASSEE COUNTY, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
COMPONENT UNIT
FOR THE YEAR ENDED FEBRUARY 29, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Property Taxes	\$ 153,006	\$ 153,006	\$ 164,938	\$ 11,932
Interest	<u>1,000</u>	<u>1,000</u>	<u>518</u>	<u>(482)</u>
TOTAL REVENUES	<u>\$ 154,006</u>	<u>\$ 154,006</u>	<u>\$ 165,456</u>	<u>\$ 11,450</u>
EXPENDITURES:				
Downtown Beautification	\$ 20,000	\$ 20,000	\$ 1,990	\$ (18,010)
Officials Wages	1,000	1,000	167	(833)
Capital Outlay	75,000	75,000	0	(75,000)
Long-Term Debt Payment:				
Interest	4,435	4,435	4,435	0
Principal	47,337	47,337	47,337	0
Professional Services	12,500	12,500	7,019	(5,481)
Office	2,000	2,000	216	(1,784)
Downtown Promotion	<u>12,500</u>	<u>12,500</u>	<u>7,971</u>	<u>(4,529)</u>
TOTAL EXPENDITURES	<u>\$ 174,772</u>	<u>\$ 174,772</u>	<u>\$ 69,135</u>	<u>\$(105,637)</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (20,766)</u>	<u>\$ (20,766)</u>	<u>\$ 96,321</u>	<u>\$ 117,087</u>
OTHER (USES) OF FUNDS:				
Transfer to Primary Government	<u>\$ (95,000)</u>	<u>\$ (95,000)</u>	<u>\$ (68,069)</u>	<u>\$ 26,931</u>
TOTAL OTHER (USES) OF FUNDS	<u>\$ (95,000)</u>	<u>\$ (95,000)</u>	<u>\$ (68,069)</u>	<u>\$ 26,931</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES AND OTHER USES OF FUNDS	<u>\$(115,766)</u>	<u>\$(115,766)</u>	<u>\$ 28,252</u>	<u>\$ 144,018</u>
Fund Balance at March 1, 2007			<u>\$ 263,636</u>	
FUND BALANCE AT FEBRUARY 29, 2008			<u>\$ 291,888</u>	



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

July 29, 2008

Members of the Village Council
Village of New Lothrop
Shiawassee County, Michigan

We have audited financial statements of the Village of New Lothrop as of and for the year ended February 29, 2008, and have issued our report thereon dated July 29, 2008. We conducted our audit in accordance with standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Village of New Lothrop's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatement caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Village of New Lothrop's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Village's management and Village Council and is not intended to be and should not be used by anyone other than these specified parties.

Dennis and Wenzel, P.C.

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Owosso, Michigan



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July 29, 2008

Members of the Village Council
Village of New Lothrop
Shiawassee County, Michigan

In planning and performing our audit of the financial statements of the Village of New Lothrop for the year ended February 29, 2008, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. As a result of our examination of the Village's financial statements, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

BUDGET

The State Revenue Sharing Distribution: Law, P.A. 176, of 1980. includes a compliance requirement in budgeting. It is required under this act that expenditures do not exceed the budget. Expenditures include accounts payable at February 28. Budgeted expenditures cannot exceed budgeted revenue plus the beginning fund balance. During our audit we noted four expenditure exceeded budgeted amounts. Care should be taken that expenditures do not exceed the budget.

CREDIT CARDS

While performing the audit this year, we noted that credit card statements are being paid that have no supporting documentation attached. When paying a credit card, all charges should be approved and the vendor's credit card slip should be attached to the statement.

We wish to thank the Council for the cooperation we received in performing the Village audit. If we can be of any further assistance to the Village, please contact us.

Dennis and Wengrich, P.C.

Certified Public Accountants